

philly.com

Posted on Mon, Jun. 10, 2002

The Philadelphia Inquirer

Kvaerner owner's 2 challenges

By Henry J. Holcomb
Inquirer Staff Writer

Kjell Inge Roekke, the Norwegian billionaire, faces two huge challenges in achieving his goal of making his Kvaerner Philadelphia Shipyard profitable by 2005.

He said he must build a U.S. supplier network around the high-tech European assembly-line style of shipbuilding that has turned a profit for him elsewhere for 11 years. And he said he must forge better relationships with Philadelphia unions, which have had a most unpleasant introduction to Europe's way of building ships.

"The yard has a motivated workforce. The key thing is to manage that energy, enthusiasm and knowledge in the right way," Roekke said.

Both issues are expected to reach a crossroads later this month.

Roekke has invited 150 of his subcontractors and equipment suppliers in Europe to come to Philadelphia for three to four days. He said he wanted them to begin work on alliances with American companies, including joint-venture partnerships. And he wants them to develop relationships with the unions here.

Roekke, who worked his way up from fishing-boat deckhand to jet-setting billionaire, won control of Kvaerner in November in a takeover fight with an Anglo-Norwegian management group that had badly mismanaged the company's shipyards.

Things got so bad that the group put all 13 yards up for sale. By the time Roekke won control of the global conglomerate, all but the five most modern and expensive of its yards, including the one here, had been sold.

Now Roekke is working to merge Kvaerner's yards with the Aker yards he already owns into what would become the world's fourth-largest shipbuilder.

In Philadelphia, he is still dealing with the hangover from the management he ousted. By his own estimates, it will cost the yard more than \$150 million to build its first ship, which he sold last month for \$110 million. He said it would cost \$33 million to build an almost identical ship at a European yard that has mastered the new technology and management systems.

On Wednesday, he had a straight-talk session with the shipyard's union workers on how to close that deficit and be profitable by the yard's sixth ship.

"It went well," said Stephen Lalumare, 33, the new president of Boilermakers Local 19, the shipyard's

Meanwhile, a feud is developing between the industrial unions at the shipyard, including the Boilermakers, and the region's building trades craft unions. Picket lines are likely this month, said Patrick Eiding, the new president of the Philadelphia AFL-CIO Council.

He said Kvaerner was bringing in workers from the South to do work that should be done by Pennsylvanians. Boilermakers Local 2000 has given them temporary memberships. Eiding said he considered them nonunion workers.

State Rep. William Keller (D., Philadelphia), chairman of the Delaware River Maritime Enterprise Council, an economic development unit created by the Pennsylvania Legislature, is working to head off the dispute, Eiding said.

He said Keller has hired John Good, a veteran Philadelphia labor consultant and mediator with clients throughout the United States and overseas. But progress has been stymied because neither he nor Good has been able to meet with Roekke, Eiding said.

In a recent interview, Roekke defended his use of subcontractors. He said he uses them to get special skills, not cheap labor.

The yard here uses technology developed in Europe. Components of ships are manufactured under controlled indoor conditions or bought as whole units from specialty contractors. These components are assembled into increasingly larger units that eventually become a full-width ship section, which is hoisted into the drydock for final assembly.

When the hull is complete, the dock is flooded, and the ship floats out.

"A shipyard is like an automobile assembly line," Roekke said. "You have your core competencies and those specialized services that you should buy externally to control costs better. Doing it this way, we have succeeded in being profitable for 11 years."

Several things are different in Europe. Most subcontractors are union and work under agreements that have evolved over many years.

Roekke said the use of Europeans at the shipyard was the reverse of the way the U.S. companies came to Norway in the 1970s, with their technology and workers, to build an oil industry.

"Now there are very few Americans employed in that industry... That's the way it will be here... We are building an American yard, in an American city, to build ships for the American market," Roekke said.

Eiding, of the AFL-CIO, said the city's building trades unions have strong schools that could train the Pennsylvania workers that Kvaerner needs. He said he was developing a proposal that he hoped to present to Roekke.

When Gov. Tom Ridge and others agreed in 1997 to give Kvaerner \$429 million in construction and worker-training subsidies, "the intent was to have all of the various trades involved in the workforce," Eiding said.

Norway. With only a ninth-grade education, normal for public schools in his country, he got a job on a large fishing boat.

Roekke now has shipbuilding, oil and gas, and other holdings in Europe, China and South America, as well as in Philadelphia and Houston.

To the Philadelphia yard workers who became his employees in November, he says, with an almost pleading tone:

"Thank you for trying, thank you for what you are doing. Clearly the people in the yard have been done a disservice in the way things have been handled. I'm saying this genuinely because I believe in it. I want it to work... If we succeed, the credit will go to the local workers and management. If we fail, I think I should be held accountable."

Contact Henry J. Holcomb at 215-854-2614 or hholcomb@phillynews.com.